

REGIONAL COUNCIL OF MAYORS

July 13, 2015

PRESENTATIONS AND DISCUSSION

HOUSING OPPORTUNITY 2015

The federal government spends \$200 billion each year on housing—but, said J. Ron Terwilliger, it's not targeted to where it could really make a difference. "If we're going to spend \$200 billion, shouldn't we spend it on those most in need?" he said. "I think we have it upside down and backwards."

Terwilliger, chairman of the ULI Terwilliger Center for Housing <http://uli.org/research/centers-initiatives/terwilliger-center-for-housing/>, said he has come to believe that housing is "a platform for life." He pointed to a recent study on the importance of place by Raj Chetty <http://www.equality-of-opportunity.org>, which shows that having an affordable place to live is important—and where that home is located is equally important.

Maya Brennan, vice president for housing at the John D. and Catherine T. MacArthur Foundation, listed the reasons housing should be a higher priority on the policy agenda, as supported by a recent survey <https://www.macfound.org/programs/how-housing-matters/>:

- Chronic stress for families in unsafe neighborhoods can negatively impact children's mental and social development.
- Quality, stable housing is directly linked to children's ability to do well in school.
- The cost of rental housing is placing a burden on many families; 11 million Americans pay more than half their income on rent.
- Chronic stress of living in low-quality or unaffordable housing can negatively impact children's mental and social development.
- It's difficult for many older Americans to find quality affordable housing.
- Families that have decent, affordable housing can spend more on things that contribute to their children's development.

"These findings are just the tip of the iceberg," said Brennan. She said that 81 percent of those surveyed think that housing affordability is at least something of a problem—and yet their elected leaders, both local and national, are not paying significant attention. "There's a pretty strong gap between wanting it to be a priority and the belief that it is a priority."

Terwilliger said there is renter distress in every state. On average, he said, renters make \$34,000 per year and have a net wealth of just \$4,000. The number of senior citizens is growing and, he said, there are real issues in their ability to find and afford housing.

"Philanthropists give to health and education and think funding housing is the government's role," Terwilliger said. But the largest share of that \$200 billion the federal government provides

for housing is actually in the form of the mortgage deduction on federal income taxes—“and most of the benefit of the mortgage deduction goes to those making \$200,000 a year or more.”

Terri Ludwig, president and CEO of Enterprise Community Partners <http://www.enterprisecommunity.com>, said the national organization is working to end housing insecurity. Enterprise has served about a half million families over the last five years and hopes to serve another million by 2020.

Ludwig, Terwilliger and Brennan all emphasized that there has to be a public and political push for housing, and asked mayors to push their local and national representatives to help provide housing.

Several mayors asked how to do affordable housing in ways that can be brought to scale. “I’m thinking it’s a family at a time,” said Terwilliger. He said he believes that a low-income housing tax subsidy is a good way of going to scale, but that the subsidy needs to be directed properly to be useful. “Without subsidy, we cannot address the rental needs for affordable housing,” he said. “Public-private partnerships are the way to go.”

For more information, [see PowerPoint Presentation.](#)

CONDO REFORM

The housing market is hot in the Twin Cities, but very few condos are being built, even though there is a likely market for them, said Carl Runck of Ryan Companies. “Condos are currently toxic to developers,” he said.

Since 2009, Runck said, 25,000 condo units have been built in the Twin Cities, but only 2,900 apartment units. Only one developer is building condos in downtown Minneapolis right now, although there are a number of apartment projects in construction and in the planning stages.

The reason for the lack of condo developments—and townhouses and cooperatives—is Minnesota’s laws governing condo construction. “All of these folks think they’re going to get sued—and they’re right,” said J. Scott Andresen of Bassford Remele.

Mark Becker of Fabyanski Westra Hart & Thomson said the lawsuit risks for condo developments are so “toxic” that some insurance companies won’t insure the developers.

Runck, Andresen and Becker urged mayors to support changes in Minnesota’s condo laws that would change the timeframe under which developers could be sued for basic construction issues. Currently, single-family homes may come with one, two or 10-year warranties; condo developers can be sued for up to 10 years after the building is completed. Andresen said that condo owners can collect attorney’s fees if they succeed in a suit against a developer, which makes it less risky for them to file suit. He also said that in a condo development, the condo board may need only a couple of votes to sue on behalf of dozens of owners. “You can end up in litigation eight, nine or 10 years after the construction, with some who could be the third owners of the property.”

Becker said the changes proposed are “quite modest” but would make a difference and encourage construction of condo buildings.

2015 LEGISLATIVE UPDATE

Every legislative session is unique, but Tom Poul of Messerli & Kramer said that the 2015 session was just plain odd.

For one thing, it was the first time in 10 years that there was no tax bill. Then there was far less for Greater Minnesota than had been expected. Sunday liquor sales, very popular with the public, went nowhere. And despite a lot of effort for long-term transportation funding, there was nothing more than a “lights on” bill, with just a \$30 million increase over base funding.

One loss for cities is a one-year delay in the sales tax exemption for joint powers and special districts. It was supposed to go into effect in January 2016, but now will not go into effect until January 2017. Poul said that Senate staff have estimated that this will result in \$20 million in costs to joint powers and special districts across the state.

Actions—or inactions—Poul cited that are of particular interest to local governments include:

The Omnibus State Government Finance Bill at the last minute included a provision allowing a county to have its annual financial audit performed by a private CPA firm rather than the state auditor’s office, if the county desires. “You can expect a lawsuit on this,” he said.

The Omnibus Liquor Bill did not include Sunday off-sale liquor purchases. “This is more and more popular with the public,” Poul said. “I think it’s going to happen.” Changes to the liquor law that were enacted allow growlers to be sold on Sundays at small brewers and brew pubs, allow microdistilleries to sell one bottle per customer per day off-sale, and allow Sunday on-sale liquor to begin at 8am—the so-called Bloody Mary provision. Poul said many cities will have to change ordinances to deal with the changes in state law.

There was no discussion of body cameras for police, Poul said, but that is likely to come up in 2016.

The Omnibus Elections Bill was not controversial, but Poul said it was disappointing that early voting was not part of the bill.

There were no changes to the structure and governance of the Metropolitan Council, although a number of bills were introduced.

The 2016 session will be short, Poul said, starting on March 8 (rather than in January). It will be a non-budget year, but he said he expected something of a backdoor budget to come about, in large part because of the increasing amount of budget surplus the state has been experiencing recently. But 2016 is an election year for all legislators, which may inhibit controversial legislation.

Poul said the hope is that there will be a bigger bonding bill and significant transportation funding in 2016, but he doesn’t believe there will be a gas tax increase in an election year. “The challenge will be how you put a package together without a tax increase.”

For more information, [read Poul’s full report.](#)

EXECUTIVE DIRECTOR'S REPORT

The (Re)Development Ready Guide is now online <http://minnesota.uli.org/redevelopment-ready-guide/> and includes a 30-question quiz, said Caren Dewar.

Richfield Mayor Debbie Goettel said the recent U.S. Supreme Court decision on the Fair Housing Act “opens the conversation” about where federal housing funds are used to support affordable housing. Richfield, Brooklyn Center and Brooklyn Park currently have a grievance filed with the Metropolitan Council about funds being used in ways that they argue concentrates affordable housing in certain suburbs.

COMING UP

The next meeting of the Regional Council of Mayors will be Monday, September 14, 11:30am–1:30pm, at Dorsey & Whitney.

ATTENDEES

Mayors

Jim Adams	City of Crystal
Dave Bartholomay	City of Circle Pines
Ardell Brede	City of Rochester
Chris Coleman	City of St. Paul
Bill Droste	City of Rosemount
Jo Emerson	City of White Bear Lake
Jerry Faust	City of St. Anthony
Tom Furlong	City of Chanhassen
Mike Gamache	City of Andover
Mary Giuliani Stephens	City of Woodbury
Debbie Goettel	City of Richfield
David Grant	City of Arden Hills
Ken Guenthner	City of Corcoran
Roger Hackbarth	City of Maple Plain
Mary Hamann-Roland	City of Apple Valley
Shep Harris	City of Golden Valley
Ken Hedberg	City of Prior Lake
Kathi Hemken	City of New Hope
Betsy Hodges	City of Minneapolis

Jim Hovland	City of Edina
Tim Howe	City of Coon Rapids
Tim Hultmann	City of Long Lake
Rick Ihli	City of Rogers
Jeff Jacobs	City of St. Louis Park
Marvin Johnson	City of Independence
Stan Karwoski	City of Oakdale
Elizabeth Kautz	City of Burnsville
Sandra Krebsbach	City of Mendota Heights
Denny Laufenburger	City of Chanhassen
Peter Lindstrom	City of Falcon Heights
Gene Maxwell	City of Hopkins
Lili McMillan	City of Orono
Tim McNeil	City of Dayton
Terry Schneider	City of Minnetonka
Nora Slawik	City of Maplewood
Mark Steffenson	City of Maple Grove
Janet Williams	City of Savage
Gene Winstead	City of Bloomington
Scott Zerby	City of Shorewood

Guests

Scott Andresen, Bassford Remele P.A.; Meagan Bachmayer, office of Sen. Klobuchar; Mark Becker, Fabyanske Westra Hart & Thomson; Cecile Bedor, Greater MSP; Mark Casey, City of St. Anthony; Jim Erkel, MCEA; Kevin Frazell, League of Minnesota Cities; Chris Glick, Enterprise Community Partners; Emily Goellner, City of Golden Valley; Judy Jandro, Bell State Bank; Curtis Johnson, Citiscope.org; Jared Jonson, ULI Northwest; Nick Koch, HGA Architects and Engineers; Mike Logan, Comcast; Pat Mascia, Briggs & Morgan; Mike Mornson, City of Hopkins; Burke Murphy, Corporation for a Skilled Workforce; Jennifer O'Rourke, Met Council; Tom Poul, Messerli & Kramer; Lisa Rother, ULI Northwest; Elizabeth Ryan, Family Housing Fund; Adam Schiff, office of Sen. Klobuchar; J. Verbrugge, City of Bloomington;

ULI Staff/Consultants

Aubrey Austin, Cathy Bennett, Caren Dewar, Victoria Fanibi, Gordon Hughes, Linda Picone.